2/27/87 C5150-3

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 26, NO. 4 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | February 16, 1987

Heck's Merger Collapses; Retailer Seeks New Buyer

NEW YORK — The proposed acquisition of Heck's has been called off and the West Virginia chain is now shopping for new buyers.

The Toussie-Viner Investor Group, which had been planning to buy Heck's for $145 million, terminated the deal abruptly in early February citing poor financial performance by the Midwestern and Mid-Atlantic retailer.

Heck's attorney Bill Bragg told *DSN* that Heck's has asked its investment banker, Donaldson Lufkin & Jenrette Securities Corp., "to seek out and initiate talks" with other potential buyers. "We're considering several options," he said, "including the sale of all or part of the busi-

(Continued on page 109)

Hills Invades Michigan With Three-Store Foray

CANTON, Mass. — Hills Department Stores is venturing into the Grand Rapids, Mich., market with three new locations by fall 1987.

Hills also will expand into the New York and Ohio markets by spring and fall with new locations in Plattsburgh, New York; and Chillicothe, New Philadelphia, Miamisburg and Lancaster, Ohio.

In the Michigan market, the $1.5 billion chain is planning a store in the Northtown Shopping Center, a new construction in Holland and to renovate a former Yankee Department Store in Wyoming, Mich.

"We've done extensive research throughout Grand Rapids," said Nan Rutter, director of consumer affairs.

(Continued on page 109)

Traditional Columbus Chains Brace for Superstore Assault

By MARY ELLEN KELLY

COLUMBUS — Meijer Thrifty Acres might be a newcomer to this city, but already the food/general merchandise superstore combination has attracted over 20% of the shopping public, said a Columbus-based retail specialist.

While that number pales compared to the 62% share figure of Federated Department Store's Lazarus chain and the reported 50% to 60% shares K mart, Gold Circle, J.C. Penney and Sears boast about, Meijer had only one Columbus location open when this study was conducted last year. Knowledgeable sources in the market said Meijer, which has plans for at least one more unit this year, has targeted Columbus as a growth market for the chain.

Drug Emporium, Gold Circle, Harts, The Limited and other greater Columbus natives are bristling in response to the arrival of Grand Rapids, Mich.-based Meijer, as well as

2	2	2	66,000
2	2	2	60,000
5	6	7	17,000
5	5	5	75,000
6	6	6	67,500
7	8	9	80,000
8	8	8	55,000
3	3	3	19,000
0	1	3	180,000
1	1	2	40,000
5	5	6	75,000
0	1	2	135,000
17	20	24	**
0	2	2	100,000
0	2	2	100,000

a new generation of competition that has carved out a home in the retail environment. Besides Meijer, the past year has seen The Andersons, The Warehouse Club and The Wholesale Club all stake out claims to the Columbus market.

All this new-store activity is occurring in a market that does

(Continued on page 109)

Textures, Detailing Work Their MAGIC On Youth-Oriented, Calif. Men's Wear

Men's wear buyers from chains such as Harts, Columbus, Ohio, will review fall lines at the L.A. MAGIC show this month. (DSN photo)

By KAREN PAXTON

LOS ANGELES — The magic words from the West Coast for next fall's men's wear season are "surface interest."

At this month's Men's Apparel Guild of California (MAGIC) show here, vendors are expected to offer a melange of man-made textures: combinations of woven and knit fabrics in jackets and tops; various types and colors of yarns and stitches in sweaters and woven shirts and pants made from fabrics that have literally been through the wringer—laundered, bleached, stone washed or pigment dyed.

The silhouettes are virtually unchanged. Shirts are oversized and pants have the reverse silhouette: snug at the hip, full in the thigh and tapering to 16 or 17 inches at the ankle.

Nonetheless, the young men's-oriented California market, and most likely many of its East Coast competitors, are counting on textures, colors and detailing to help pull in orders. Discounters, as usual, will have one eye on at-once orders to fill out Father's Day and summer and the other eye on fashion looks for fall.

Mark Menzel, men's wear merchandiser

(Continued on page 27)

Penney to Unveil New Teleshopping Touch

By ARTHUR MARKOWITZ

NEW YORK — J. C. Penney this week will unveil a potential major breakthrough in electronic retailing: an interactive teleshopping system that uses a touch tone phone to access and purchase goods on a dedicated cable TV channel.

The system is called Telaction. Taking part in the demonstration and press briefing will be William R. Howell, Penney chairman, Ralph B. Henderson, executive vice president, and Stuart C. MacIntire, president of Telaction, a wholly owned Penney subsidiary.

The service could start as early as March 1 on three cable systems, American Cablesystem, Centel Cable and Continental Cablevision, serving a total of 50,000 subscribers in four Chicago suburbs: Aurora, Addison, Rolling Meadows and Northland.

A source at Centel Videopath, a cable TV interconnect, said it has a two-year agreement with Telaction to link the new service with the three cable systems starting March 1. Centel Videopath is a microwave common carrier and at presstime was awaiting FCC approval to provide the pathway to the three cable systems, which each would provide Telaction on a dedicated channel on their systems.

Trade reports last month had indicated that the first Telaction cable test will take place this summer in Chicago. Only the summer test date was confirmed by Duncan Muir, a Penney public relations manager.

The system's hybrid technology, a combination of videotext, laser videodisc and cable TV, is in the final stages of development by its originator, Cableshare, a publicly held hi-tech Canadian company, and by Telaction.

Cableshare has finished the

(Continued on page 110)

M... Price Cuts Brighten ... Prerecorded Video

Home Offices Propel PCs, Copiers

00240370 DS
MS JEANNE LONG
CONGRESSIONAL INFOR SVC 1FL
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

MARKETWATCH

Another Venture Exec Jumps to Caldor

ST. LOUIS — The executive shuffle between The May Department Stores Company's discount store divisions continues. In the most recent move, Marc Balmuth, formerly executive vice president of Venture, has been named president of Caldor following the resignation of Leonard Williams. Balmuth will once again team up with Don Clarke, who left Venture as chairman last October to become chairman and chief executive officer of Caldor. A successor to Balmuth at Venture has not been named.

Sears Specialty Gets Multi-Talented Chief

CHICAGO — The head of Sears' new Specialty Merchandising Group is an executive with a wide-ranging background including audio-video retailing, direct mail and women's apparel. Alfred Goldstein, 54, named last month to oversee the new unit, was formerly president of specialty retailing at American Can, Greenwich, Conn., where he was responsible for the Musicland Group, a chain of audio-visual stores, and Fingerhut, a direct mail marketer of consumer products. Before that, he worked at Sears for 23 years, rising to vice president of women's apparel. The new unit is composed of two of Sears' specialty businesses, Business Systems Centers and the Direct Response Program. The firm is "exploring other possibilities" to add specialty concepts, said a Sears spokeswoman.

Lucky Completes Gemco Sale for $440M

DUBLIN, Calif. — Lucky Stores said the transfer of 76 of its closed 80-unit Gemco chain to Dayton Hudson has been completed for approximately $440 million. The units are expected to bolster the presence of Target, Dayton Hudson's discount chain, in the California market. Lucky also announced it completed the sale of its Checker Auto Parts stores for about $155 million. And, the company, which is restructuring to focus more on its 572 supermarkets, said discussions are underway for the sale of its remaining discount store division, Yellow Front Stores.

Value House Joins Associated Charter

ALBUQUERQUE, N.M. — Value House, the five-unit catalog showroom chain here, has joined the Associated Charter group and will use the cooperative coordinator's book starting this fall. The chain, which had been a member of the Paul Schultz Catalogs group, will start to use Associated Charter flyers later this year.

Home Shopping Stations Call Out 'HS'

CLEARWATER, Fla. — Home Shopping Network (HSN) has changed the call letters of its nine UHF-TV stations to its own nomenclature that includes the letters "H" and "S" for Home Shopping. The move will strengthen the identity of the stations as video retailers that are part of HSN. The markets served by HSN and the stations' new call letters and channel include Chicago, WEHS/60; Los Angeles, KHSC/46; Boston, WHSH/66; Houston, KHSH/67; Philadelphia, WEHS/60; Cleveland, WQHS/61; Baltimore, WHSW/24; Newark, N.J., WHSE/68, and Smithtown, N.Y., WHSI/67. HSN plans to acquire as many as five more UHF stations.

Rochester Cable Signs with Cable Value

ROCHESTER, N.Y. — Greater Rochester Cablevision (GRC) has picked up the Cable Value Network (CVN) as the replacment for the Value Club of America, a standalone teleshopping service, which stopped broadcasting on the Rochester system just after Christmas. GRC is owned by American Television and Communication, which is one of the 23 cable systems that together own a 50% share of CVN.

INDEX

Apparel 27
Men's Wear 27
Boys' Wear 28
Classified 105
Editorial 6
Hard Lines 63
At the Source 86
Manufacturer News 95
Home Office 63
Photo 83
Stationery 63
Home Products 37
At the Source 46
Consumer Electronics 37
Manufacturer News 58
Prevention Pays 18
Retail Management Development Series 98
Stock Update 100

Former Bradlees President Named

Stuarts Hires Kohn as Chief Exec

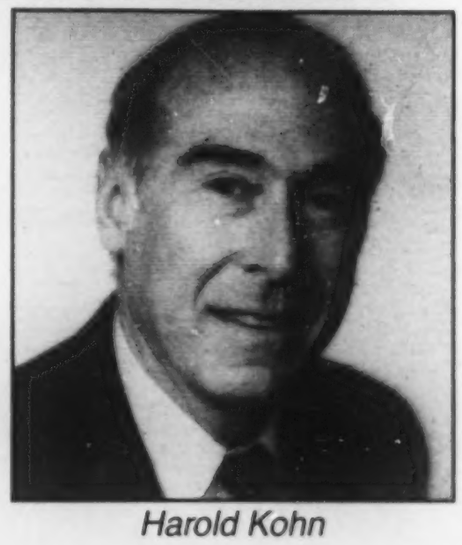
HOPKINTON, Mass. — Stuarts Department stores, which is in the midst of adjusting part of its merchandising program, has hired former Bradlees president Harold Kohn to serve as president and chief executive officer.

"I think the stores have already done well and have the opportunity to be the shopping headquarters in each of its trading areas," said Kohn, reached on his second day at Stuarts.

Kohn, who joined the 21-unit operation at the start of this month, has also been named a director of the company. In addition to his eight-year tenure at Bradlees, he worked at Abraham & Straus in New York where he became senior vice president.

Stuarts is more comparable to Zayre than Bradlees, according to Joe Garb, vp of finance at the discount chain. "We deal with the middle class, blue collar consumer," he said.

(Continued on page 110)



Harold Kohn

Reagan Backs Off on Gray Market

WASHINGTON — The White House has added fresh fuel to the efforts of multinational manufacturers to curb the availability of gray market imports to discounters.

The President decided not to overturn a controversial International Trade Commission decision that unauthorized "gray market" imports of Coleco's popular Cabbage Patch Kids dolls illegally infringed on the doll maker's "exclusive copyright rights."

The Administration's action in this case came as a surprise to several ITC officials, who told *DSN* that they were expecting the White House to reject the agency's findings in this investigation as it did in a previous ITC gray market decision involving unauthorized imports of Duracell batteries.

At that time, President

(Continued on page 109)

K mart Links Cosmetics & Apparel

TROY, Mich. — K mart will test a new cosmetics boutique near its apparel and jewelry departments in an effort to create a snyergy between these fashion-oriented categories.

The chain expects to test the new merchandising strategy in 50 stores during the first half of this year.

"The idea is to develop the fashion potential of the health & beauty aids department by bringing apparel, jewelry, cosmetics, fragrances and nail care into one area of the store," said Leo Camara, a former H & B A buyer who is developing the concept. Camara's new buying responsibilities include only cosmetics, fragrances and nail polishes.

Ethnic, cream, lotion, depilatory and acne formulas, formerly among the lines Camara bought, will be reassigned.

If plans are approved by K mart management, the boutique would occupy about 70 linear feet on a black lacquer finger wall fixture, Camara said. The display, which is being built for the discounter, is still in the design stage.

K mart will decide later this month whether to expand this H & B A relocation beyond the test stores, he added.

DSN 25th ANNIVERSARY TRIVIA QUIZ: 1965

The mood in 1965 continued as heavily expansionist. Some department store personnel began to come over to the discounters. Pennsylvania discounter druggists k.o.'d pharmacy board opposition and discounter pharmacies. Lessees continued to shrink as chain central merchandising control grew more dominant.

DSN invites you to test your recall of industry events of 1965 with the questions that follow. As part of our 25th anniversary, DSN is offering a $100 prize to the person who correctly answers the most questions. Please type your answers, including your name, address and telephone number, on standard letterhead, and mail to:

Quiz Editor—2/16
Discount Store News
425 Park Avenue
New York, N.Y. 10022

Winners and correct answers to each quiz will be announced in a future issue.

1. Site-seeking discounters, on an expansion kick, explored downtown locations in '65. Which of the following industry leaders did not go downtown that year?
a) K mart;
b) Mason's;
c) Woolco.

2. Many lessees, being squeezed out of discount stores, switched to the landlord role. One of the first and most successful for a time in the Kansas city area was:
a) Zale Jewelry;
b) Parkview Gem;
c) Hardline Distributors.

3. Specialty departments began to grow. A New York discounter that built a 2,600-car lease department was:
a) Korvette's;
b) Alexander's;
c) K mart.

4. In 1965 colleges began to focus on the growing discount phenomenon in retailing. The first such industry study was done in '65 by:
a) Harvard;
b) Univ. of Mass.;
c) Cornell.

5. Kresge president Harry Cunningham reported that stores in their second year had substantial sales gains of:
a) 9%;
b) 20%;
c) 34%.

6. Drug departments expanded to 2,600 feet, but most discounters still treated the department as a traffic puller, with markups averaging:
a) 19%;
b) 23%;
c) 26%.

7. In a typical discounter drug department (lessee Nescott) the top non-drug category, with 9½% of footage, was:
a) paper goods;
b) art supplies;
c) greeting cards.

8. Early morning store hours in 1965 were governed more by cost considerations than competitive factors. The usual store opening hour that year was:
a) 8:00 a.m.;
b) 10:00 a.m.;
c) 12:00 p.m..

9. Expansion was the prime driving force for discounters, according to the 1965 DSN census. The report recorded shattering footage gains for the census year at 11.4%, or:
a) 7 million feet;
b) 15 million feet;
c) 40 million feet.

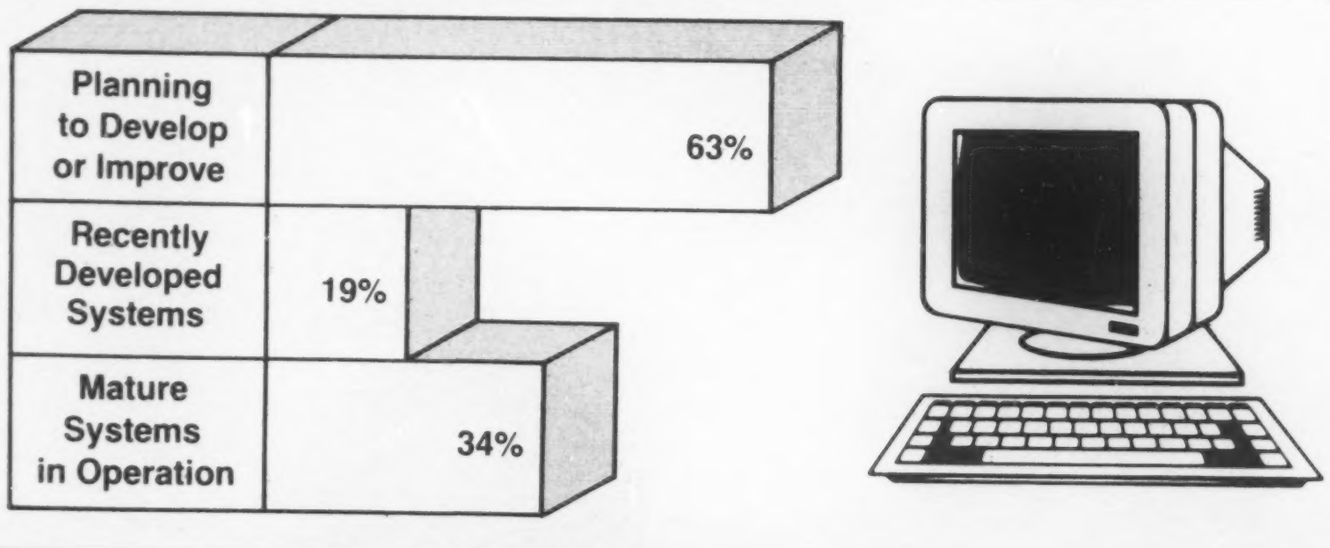
10. At the same time, stores pushed out the walls to house bigger assortments. Average store size that year was:
a) 75,000 sq. ft.;
b) 90,000 sq. ft.;
c) 110,000 sq. ft.

11. Discounters rental per sq. ft. (gross space) was lower than all other classes of retailers by far. What was the average reported rent?
a) $1.19 per sq. ft.;
b) $1.49 per sq. ft.;
c) $2.75 per sq. ft.

Retailers Target Purchase Order Systems for Improvement

Discounters and Mass Merchants Plan to Improve Purchase Order Management Systems

Six out of 10 retailers surveyed plan to develop or improve their purchase order management systems in the next 18 months.



Source: Arthur Young

NEW YORK — Mass merchandisers and discount store operators queried in a survey late last year reported that purchase order management is their hottest application area for future systems development.

More than half of executives representing 32 discount, general merchandise, drug and variety store chains anticipated that they would develop or improve a purchase order management system within the next two years, concluded a study entitled, "Retail MIS: Expenses and Trends," conducted by Arthur Young, the accounting and consulting firm based here.

While 63% of these respondents said they plan to develop or improve their purchase order management system, 19% more said that they have recently developed one, and another 34% reported maturity in this application area.

"Merchandise planning is more important for seasonal goods stocked by specialty and department stores," said Frank Andrews, manager of retail consulting at the consulting firm. "Mass merchants depend more on deal buys and stock more basics; purchase order management is more important to them."

The survey, which polled a total of 127 retailers generating aggregate annual sales of some $100 billion, also found that retailers greatly increased their spending for information systems last year and are planning a new push toward integrating their data systems. The respondents spent a total of $859 million, or 0.91% of sales, in 1985 on information systems, a 12% increase over the previous year. A majority said they plan to improve the integration of point of sale, purchase order, inventory control, stock replenishing and accounts payable systems.

The survey, which polled a total of 127 retailers generating aggregate annual sales of some $100 billion, also found that retailers greatly increased their spending for information systems last year and are planning a new push toward integrating their data systems.

"The majority of retailers now possess enough computer power to bury themselves in data," said Andrews. The new priority to integrate systems "is an effort to let the left hand know what the right hand is doing. Integration allows the different functional areas to use the same information in decision-making."

Discounters Had High Costs

Of the several types of retailers surveyed, mass merchandisers and discounters had the highest relative MIS costs, expressed as a percentage of sales. These stores average systems cost represented 1.11% of sales, compared to average MIS costs of department stores (0.81% of sales), specialty stores (0.9%) and combination/grocery stores (0.7%).

Regarding data capture systems, the survey found that UPC is the method used by 50% of the total retailers and 44% of the mass merchandise/discounters that use scanning technology. Fifty-five percent of the mass merchandise/discount stores use hand-held laser guns.

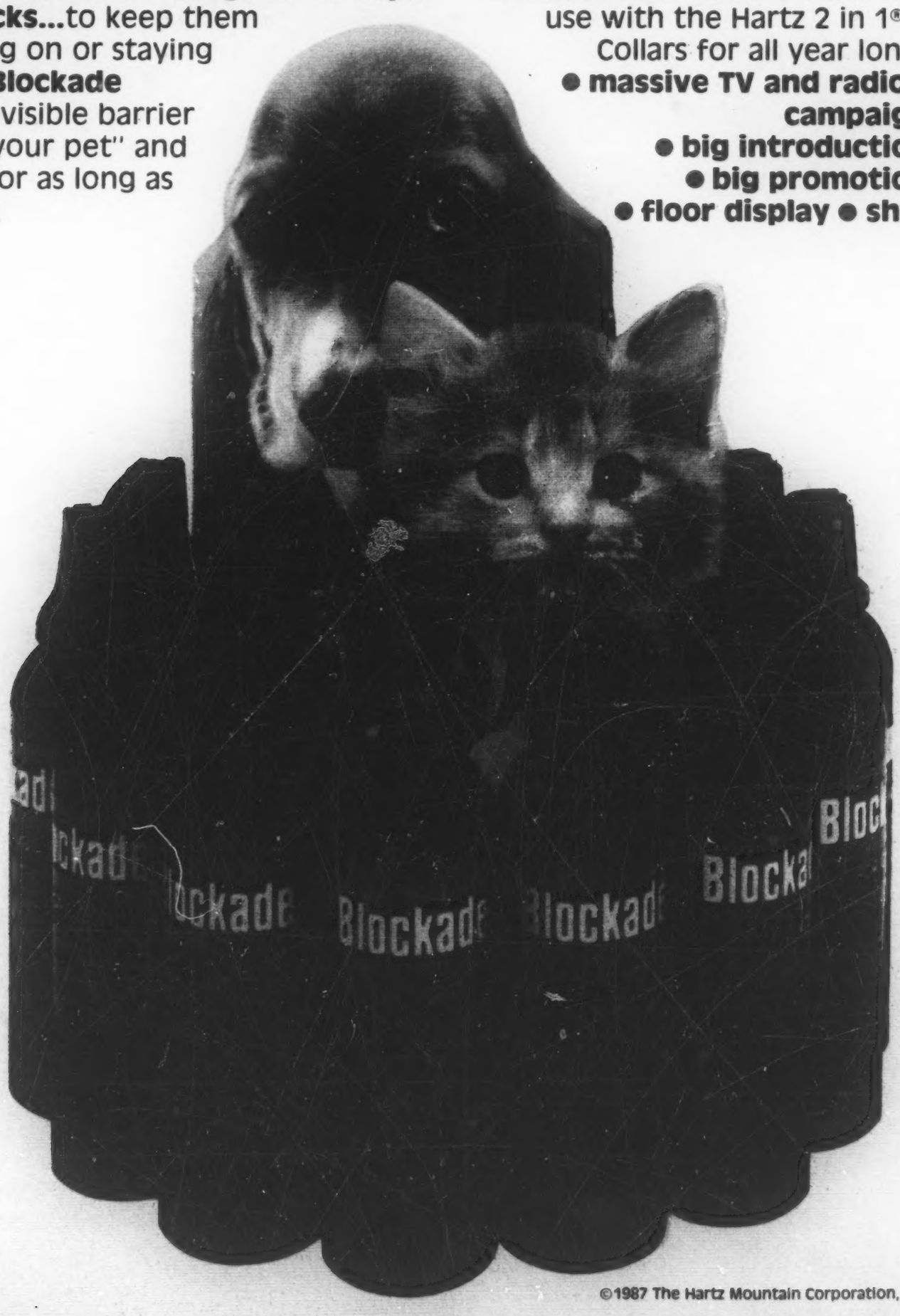
Hartz® Blockade® Repels

The Most Dramatic Breakthrough in Flea and Tick Control

Hartz Blockade is the result of 10 years of research by Hartz Mountain chemists and biologists. **Blockade is designed to repel fleas and ticks...**to keep them from jumping on or staying on the pet. **Blockade** creates an invisible barrier to "protect your pet" and is effective for as long as three weeks.

Blockade also kills fleas and ticks already on pets and protects them from reinfestation. **Blockade** has been tested and is safe to use with the Hartz 2 in 1® Long Lasting Collars for all year long protection.

● massive TV and radio advertising campaign ● coupons ● big introduction allowance ● big promotion allowance ● floor display ● shelf extender



©1987 The Hartz Mountain Corporation, Harrison, N.J. 07029-9987

APPAREL

Gear Apparel to Young Family Man, Poll Says

Nationwide DSN Report

The typical discount store shopper may be a woman, but men buy 60% to 70% of their own basic clothing items, according to a recent consumer poll.

Who are the men who buy those basics at discount stores? How often do they buy? When? What do they look for?

A recent consumer poll conducted for *DSN* by Leo J. Shapiro and Associates, the Chicago-based research firm, examines how men approach their basic clothing buys for the colder seasons using last year's fall/winter shopping as a barometer.

The survey asked men about several basic items: jeans, socks, dress shirts, casual shirts, sweats, dress shirts, neck ties, outdoor jackets and underwear.

The findings suggest that, in general, discounters should merchandise their sections toward a younger male who has a family. In addition, discounters should get out of the winter-oriented garments by the end of January.

Men who purchase apparel at discount stores are younger, from larger households and more likely to have children than the total population.

Men buy the majority of their basic clothing for themselves, according to the survey. Those polled said purchases made by others, presumably the women in their lives, accounted for anywhere from 30% to 40% of total purchases in each category.

Men reported buying their own underwear, neckties and outdoor jackets more often than the other apparel items.

For the fall and winter seasons, about a third of the men polled made their first purchase in September. When asked when they make their final purchase of fall/winter clothes, 30% said December or January. However, as expected with such basic items, 26% said they would buy slacks, jeans, neckties, dress shirts and other staples any time of the year.

Just over half, 52% of men surveyed, reported that at least one of the nine items was purchased at a discount store. Close to a quarter (22%) of the respondents spent over $100 on clothing at discount stores in the past year.

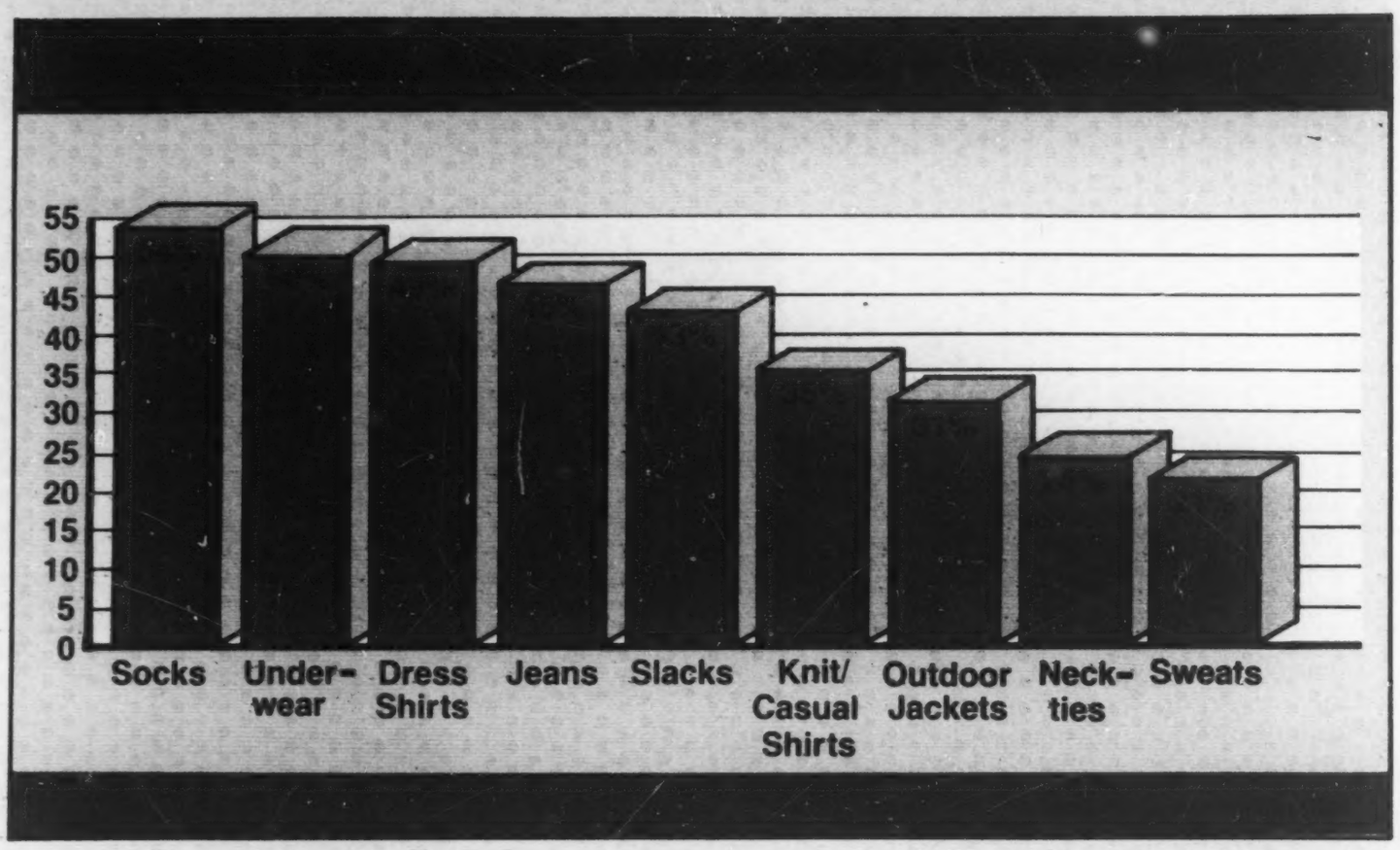
Men making purchases from a discount store are younger and from larger households than the total population. They are also more likely to have children.

That age factor influences color preferences as well as styles and places to shop. For example, twice as many men in the 30 to 44 year age range are thinking of buying something red this year, compared to men 45 and over. In the under 30 age group, three times as many said they were thinking of buying a red-colored article of clothing.

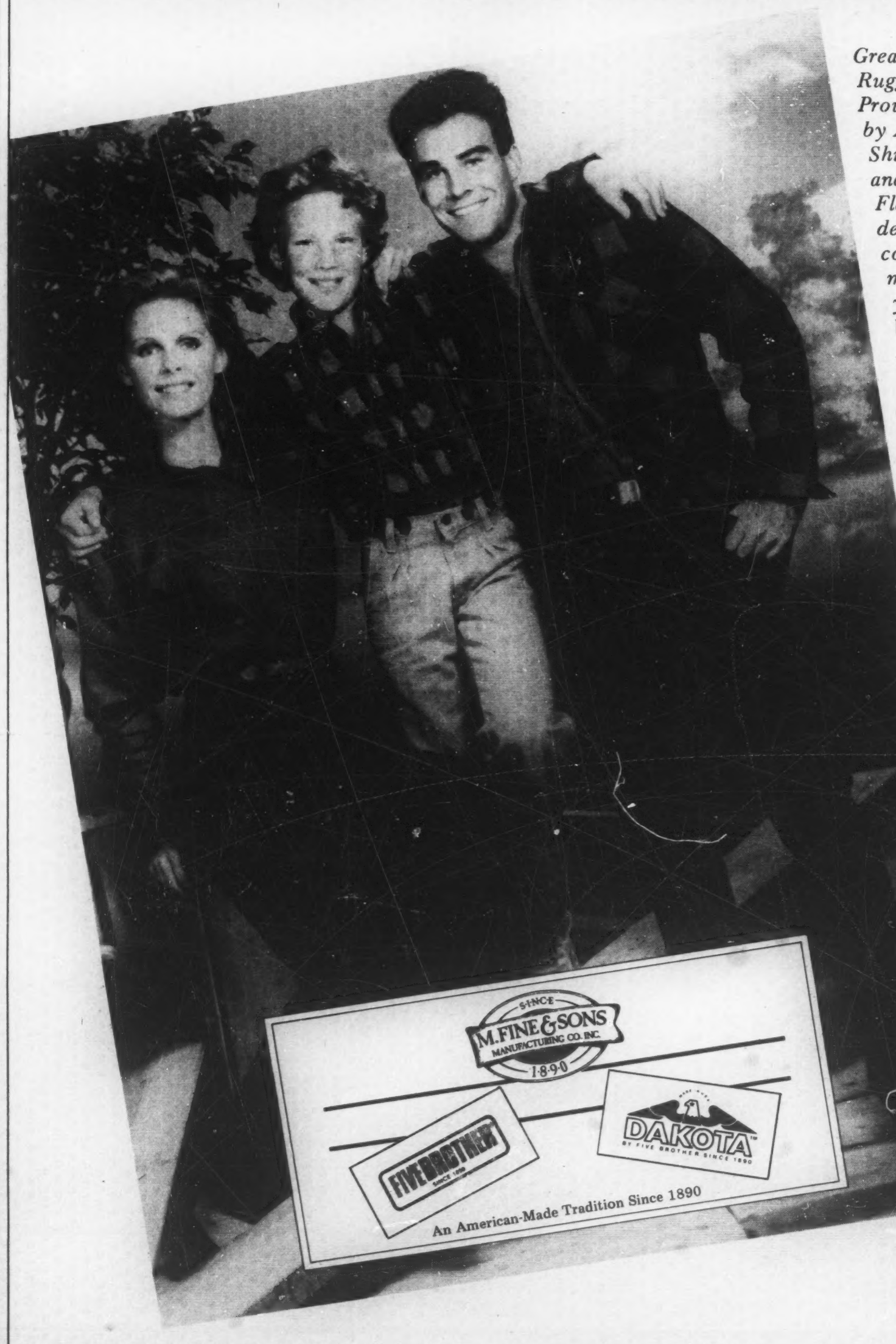
Likewise, tan/beige was mentioned twice as often by men 45 and over, than by those under 45. Gray and brown were also more popular with older men.

Green was the only color

(Continued on page 32)



An American-made Tradition since 1890.



Great clothes.
Rugged as all outdoors.
Proudly crafted in America,
by Americans, for Americans.
Shirts, jeans, ruggedwear
and sportswear.
Flannels, chamois cloths,
denims, chambrays,
corduroys, and twills,
made the way
you want them.
We're in-stock,
we're on-time,
we're an American
tradition.

CRAFTED WITH PRIDE IN U.S.A.

M. Fine & Sons Manufacturing Company, Inc., 350 Fifth Avenue, New York, N.Y. 10118 (212) 239-1111

Population's Aging Promotes Apparel Demand Growth

WASHINGTON — The demographic trend for the rest of the century suggests a promising scenario for the ready-to-wear marketplace, according to a study by U.S. Commerce Department economists.

Expected shifts in the makeup of the U.S. population during the next dozen years created by an aging U.S. consumer, "bode well for the apparel market and for companies who take advantage of the opportunities," researchers said.

According to the Office of Textiles and Apparel, "the fastest growth in the population will be among those from 35 to 54 years old, who typically have rising incomes and high rates of consumption, and therefore are a key element in the growth of demand for apparel."

U.S. ready-to-wear manufacturers got some help from the "substantial acceleration" in 1986 personal consumption expenditures on clothing—about 6% after adjustment for inflation. However, economists reported that apparel imports (valued at $17.8 million) were a key factor in the 1986 growth.

Last year's consumer spending for clothing triggered only "a relatively sluggish recovery" from the late 1984 "slowdown" in domestic apparel shipments, according to the report. "Current dollar" shipments by U.S. apparel manufacturers rose 3% in from 1985 to 1986, to $59.1 million, after dropping 0.2% from 1984 to 1985.

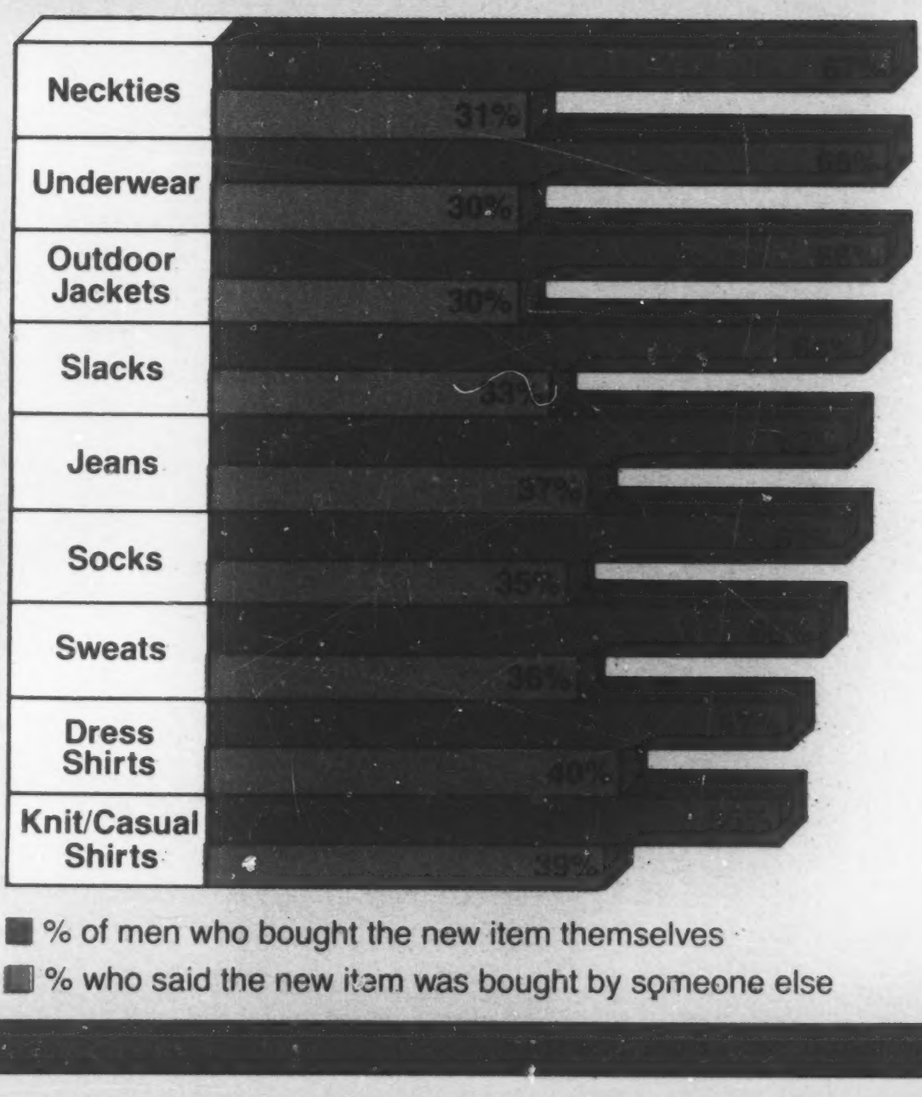
"Faced with the challenge of rapidly growing imports, the U.S. apparel industry has developed a number of strategies to maintain its position in the domestic market and to take advantage of emerging marketing opportunities," Commerce Department economists said.

Among the competitive responses in the works for American ready-to-wear manufacturers are increasing use of high tech equipment and better production sites, they reported. The industry is emphasizing quick response systems including faster feedback of marketing information between retailer and manufacturer.

Category	1984	1985**	1986**	Per Cent Change Compound Annual 1972-84	Compound Annual 1979-84	Annual 1984-85	Annual 1985-86
Women's/Misses' Blouses	$3,579	$3,473	$3,511	9.1%	6.0%	−3.0%	1.1%
Women's/Misses' Dresses	4,996	4,903	4,891	2.8	4.1	−1.9	−0.2
Women's Coats/Suits	4,239	4,145	4,250	7.4	6.8	−2.2	2.5
Men's & Boys' Coats/Suits	3,209	3,116	3,126	2.5	4.0	−2.9	0.3
Men's Shirts/Nightwear	3,689	3,534	3,598	4.8	2.6	−4.2	1.8
Men's & Boys' Trousers	2,373	2,295	2,362	2.6	3.7	−3.3	2.9
Men's & Boys' Work Clothes	5,130	5,246	5,426	9.4	6.2	2.3	3.4
Children's Dresses/Blouses	1,332	1,311	1,351	6.1	8.3	−1.6	3.1
Children's Coats/Suits	173	164	175	−0.7	−0.7	−5.0	6.8

Source: U.S. Department of Commerce

Men Purchase Most Fall/Winter Basics Themselves



Gear Men's Apparel Toward Young Family Man: Survey

(Continued from page 31)

that appealed more strongly to those in the middle (30 to 44 years) age range, than others. Some 13% of those men said they would like something green compared to 5% of those younger and 6% of those older.

As a group, those who shopped for men's wear at discount stores are as affluent and as educated as those who did not. On average, men spent $236 for fall and winter clothes last year and of that figure, 41%, or $96 was spent at discount stores.

Socks and underwear lead the list of basic items men purchase new for the fall/winter season; 54% said they got new socks and 50% said they got new underwear. Dress shirts are also an item that men often add to their wardrobes for the colder seasons; 49% of those polled did. Sweats got the smallest response with only about 21% buying new sweats for the fall/winter season.

Socks were the item most often purchased at discount stores. A quarter of those who had purchased socks did so at a discounter. A sizable number (22%) bought underwear at discount chains as well. Some 21% bought jeans at a discount store.

Dress shirts, neckties and slacks were least often purchased at a discount store, according to men polled. For those items, specialty stores, department stores and Sears, Ward and Penney as a group had a larger share of the business.

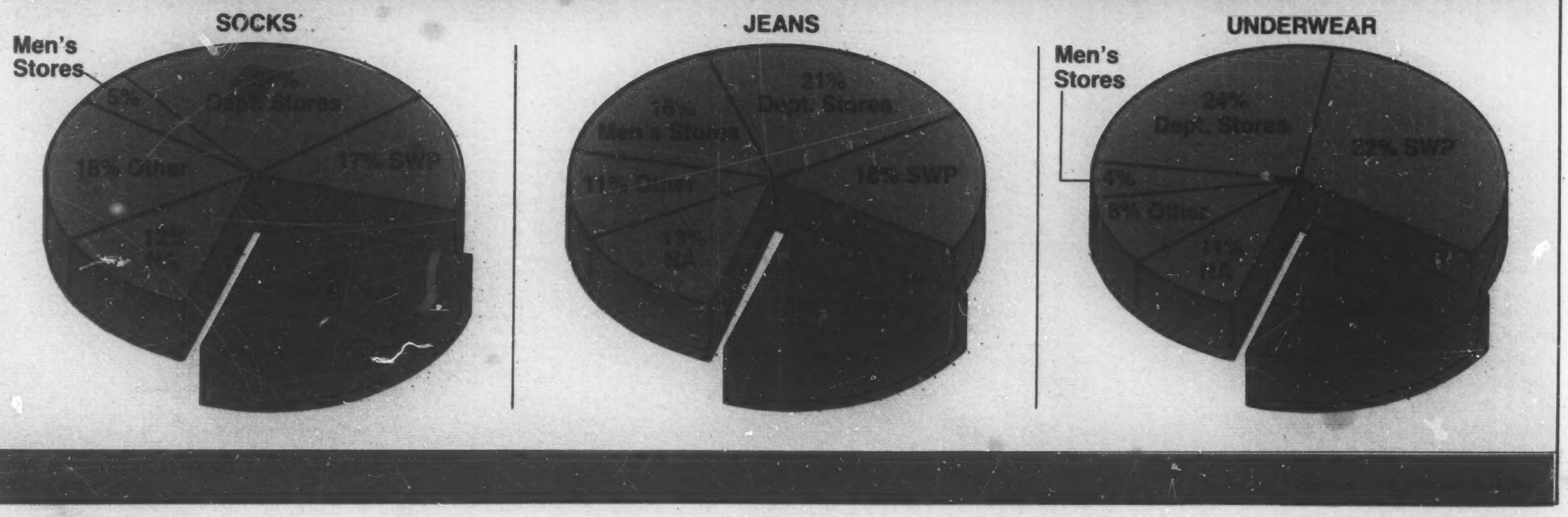
In fact, Sears was mentioned most often as the place where someone other than the male (user) made a men's wear purchase.

The men themselves tend to go shopping for clothing an average of 8.7 times a year. Respondents were specifically asked to include trips for small items as well as large purchases. The median was only five times a year; half of those surveyed shopped more often than five times, and half shopped less often.

All told, 36% of those polled had purchased clothing at J. C. Penney in the past year; 31% had bought something at Sears and 9% had bought clothing at Montgomery Ward.

The *DSN*/Shapiro findings are based on interviews with 415 men in a national sample of 900 households.

Socks, Jeans, Underwear Lead Over-the-counter Sales to Men



Home Products

A 3½-ft. freestanding display of prerecorded videotapes at Jamesway in Freehold, N.J., is part of a wide selection covering an additional 16 ft. (DSN photo)

Prerecorded Videotape Sales Explode as Prices Tumble

Nationwide DSN Report

The sell-through market of prerecorded videotapes to discounters is booming due to lower price points of both the software and hardware and the ease of operating the department through use of rack jobbers.

Discounters, who initially thought the rental market would be the more promising one, now say the sale market has become their true profit maker. K mart, Jamesway, Heck's, Gold Circle and Ames are among the chains that are more aggressively advertising prerecorded videocassettes and enlarging their departments.

They cite three reasons for their optimism:

- Prices of even the most popular titles have dropped by as much as 60%, and further price slashing is predicted. The decline in the price of the software follows the already well-documented boom in the sale of more affordable videocassette players.
- Studios that release the tapes are becoming more sensitive to discounters' needs, especially in terms of lead time required for retailers to establish their advertising plans.
- And, the studios are devoting more attention, and money, to promotions geared for discounters.

In 1987, 110 million prerecorded videocassettes, worth $2.8 billion, will be sold to retailers, the Electronic Industries Association forecasts, with prices per unit averaging $25. In 1985, the average price per tape was $34.

Despite this increased awareness of the sale market, most discounters feel that studios are just beginning to understand how to sell through their outlets.

Falling Price Points

When studios became interested in capturing discount store business, they dropped price points from between $60 and $80 to between $24.99 and $29.99 for their top hits. However, they failed to take into account the necessary lead time discounters need due to long-term advertising planning. For instance, it was announced in January that the videotape of the popular film *Top Gun* would be released on March 11. By the time they received the announcement, most discounters had already set their ad plans for March.

But, studios appear to be waking up to discounters' needs by providing more advance notice on release dates. Promotions for Christmas 1987 will be unveiled at the June Consumer Electronics show.

Studios are also beginning to devote more promotions to discounters. For example, HBO/Cannon plans ad-

(Continued on page 43)

MARKETWATCH

NEW YORK — **Crazy Eddie** is reportedly preparing to acquire Benel Distributors, which operates record and video concessions in its stores, and Disc-o-Mat, operator of six record shops in New York and New Jersey. Benel is owned by Ben Kuszer, brother-in-law of the chain's founder, Eddie Antar, and Kuszer's wife. In a report filed last month with the SEC, the chain said it is discussing the possible acquisitions and close observers expect the move to come soon.

* * *

CHICAGO — **The National Housewares Manufacturers Association** (NHMA) has named Richard J. Stern to the association's board of directors. Stern, president of Associated Mills Pollenex, was one of the more vocal manufacturers who suggested the NHMA return to a two-show schedule. His appointment fills the vacancy created by the resignation of Jack Eikenberg, president of Cuisinarts, and establishes a full 12-member board staff.

* * *

MINNEAPOLIS — **Best Buy,** the consumer electronics chain here, reported third quarter net earnings of $3.2 million, up from $1.8 million in the year ago quarter ended Dec. 31. Sales climbed to $88.6 million from $41.2 million in the previous year's third quarter. Nine month results showed net earnings of $6.1 million on sales of $168.7 million. The previous year's nine-month figures were $2.9 million net on $80.5 million in sales.

* * *

BALTIMORE — After a five year hiatus, Jack Luskin, chairman of **Luskin's,** the 56-store consumer electronics chain based here, has returned to television as spokesman to launch the chain's 1987 marketing campaign. Luskin was chosen to present the company's copyrighted "Promise" consumer benefit program and to introduce Luskin's new superstore marketing strategy. The "Promise" campaign guarantees shoppers that Luskin's will "beat any price in town," offers $1,500 instant credit and a Luskin's credit card and spotlights the chain's selection of over 3,000 products.

* * *

LAS VEGAS — **Blue Chip,** the Chandler, Ariz.-based electronics supplier, said at the Winter Consumer Electronics Show here that it is working with Hyundai car dealers to install and promote mobile phones selling for $599 to $699. Aimed at the mass market, the phone is being positioned as a safety item. The phone will be shown at the Summer Consumer Electronics Show in Chicago and orders will be taken for the fourth quarter.

Software, Hardware Price Cuts Spur Prerecorded Tape Sales

(Continued from page 37)
ditional rebate programs similar to a $5 refund it ran on the purchase of both *Rambo* and *First Blood*. A different kind of rebate was promoted by Vestron, offering retailers a $25 rebate per videotape sold of 27 selected titles, including the movie *Prizzi's Honor*, with proof of purchase.

The lower prices that discounters are seeing extend to other distribution channels as well.

Stephen Strome, vice president at Troy Mich.-based Handleman Company, a rack jobber for such discounters as K mart, Best, Hills, Jamesway and Wal-Mart, predicts that by second half of 1987, the prerecorded videotapes that were selling for $29.99 will drop to $19.99.

Strome said that a strong price-driven competition might occur on the "hit" titles but the stores that carry a full assortment of product can still maintain profit.

Discounters are increasing their own advertising efforts to raise the level of awareness among consumers, many of whom view prerecorded videotape as solely a rental item and do not realize the lower prices of the sale items.

K mart has increased its advertising to twice a month in such publications as *People* and *USA Today*, said Gene Rutkowski, home electronics buyer for the Troy, Mich.-based giant.

Secaucus, N.J.-based Jamesway goes after the sell-through market aggressively in its major circulars and other advertising. For example, before Christmas it ran a two-page standard ad and made good sales on *Indiana Jones and the Temple of Doom* and the Disney titles retailing between $14.99 to $27.99.

The ease of operation via rack jobbers has been a major factor in enabling discounters to capitalize on the sale market. Rack jobbers service the departments usually weekly or biweekly.

The jobbers use computers to track retail sales by category and item, monitoring the store's movers and replenishing the hot categories and titles. They test new titles and categories in the chains, and based on results, decide whether to expand selection.

In 700 stores, K mart has doubled the size of its prerecorded videotape department to 25 ft., and has plans to remodel another 700 to 800 units in early 1987, said Rutkowski, the K mart buyer. The chain has also expanded selection from 200 titles to 400 titles.

In 200 K mart stores, electronic centers are self-contained, bullpen-style, with all the videocassettes displayed in the open. Other stores display the promotional product openly and under on a slanted bookshelf-type end fixture with plexiglas shelves. The frontline movies, selling for $18.95 and up, are located in two showcases in the electronics center.

"We tested the concept of selling prerecorded video in 1984 and have increased sales five-fold since then, obtaining between five and six turns," Rutkowski said. He added that the key to success has

(Continued on page 45)

	1985	1986	1987
Total Sales to Dealers (In Millions of Units)	53	75	110
Total Factory Sales (In Millions of Dollars)	$1,800	$2,100	$2,700
Average Value ($ Per Unit)	$34	$28	$25

Heck's Will Test Videotape Rentals In 5 to 6 Stores

NITRO, W. Va. — Despite the difficulties other discounters have experienced in the rental market, Heck's, the 172-store chain based here, plans to test rentals of prerecorded videotapes in five to six stores this year.

"We don't want the 99¢ business," said Howard Holshouser, electronics buyer. "We hope to capitalize on the traffic draw videotape returns will produce when the same customers come back the next day.

"We realize all the problems other retailers have had in the past but since we do so well with the sale of prerecorded videotape we feel the same can be done with the rental market as well," he added. "We want to test it, make the necessary revisions and go chain-wide."

Ironically, discounters initially thought the rental market would be more promising than sales, but mainly due to operational problems in handling returns, the sale of prerecorded videocassettes has become most discounters' preferred strategy.

K mart's experience with videotape rentals typifies the problems experienced at many discounters. The Troy, Mich.-based chain tested video vending machines about six months to a year ago, but reported little success, mainly due to difficulty in returns. At the present time, K mart has no plans to get back into rentals again.

Open your eyes and see just how many subjects are covered in the new edition of the Consumer Information Catalog. It's free just for the asking and so are nearly half of the 200 federal publications described inside. Booklets on subjects like financial and career planning; eating right, exercising, and staying healthy; housing and child care; federal benefit programs. Just about everything you would need to know. Write today. We'll send you the latest edition of the Consumer Information Catalog, which is updated and published quarterly. It'll be a great help, you'll see. Just write:

Consumer Information Center
Department TD
Pueblo, Colorado 81009

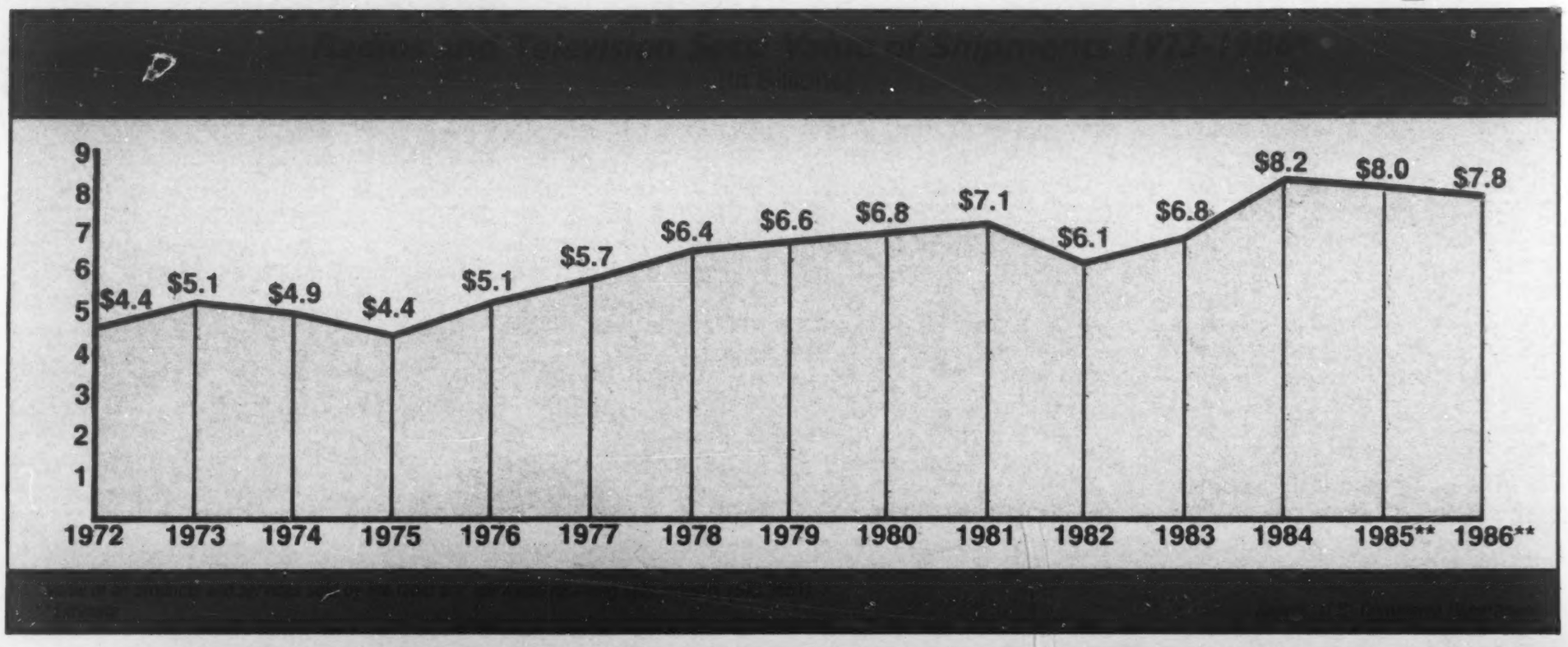
A public service of this publication and the Consumer Information Center of the U.S. General Services Administration.

VCR Sales Grow Faster than Color TVs, Commerce Reports

WASHINGTON — Color TVs may soon lose center stage in retail consumer electronics departments—displaced by the skyrocketing growth of VCRs.

"VCR growth has outpaced that of color TVs over the past 10 years," U.S. Department of Commerce economists reported in a recent study. Shipments of video recorders to retailers—a total of 40,000 units in 1975—rose to 14.2 million by 1986.

"Current estimates of the number of households that own a VCR vary from 33% to 40%, and most industry experts believe that about two-thirds of U.S. households will have at least one VCR by 1990," Commerce Department researchers said.



Color TVs continued to be the consumer's electronic favorite.

Despite rapidly multiplying VCR shipments, however, color TVs continued to be the consumer's electronic favorite. According to the study, about 94% of U.S. homes have at least one color set. Nearly one-half of U.S. TV owners have two or more units.

Unfortunately for the U.S. consumer electronics industry, too many of those TVs (and all of the VCRs) were manufactured overseas.

"Imported color TVs and VCRs were an estimated 63% of apparent consumption in 1986, up from 59% in 1985," economists reported. Imports of color TVs rose 39.2% in the first half of 1986. In contrast, they estimated that U.S. production of color TVs in 1986 declined 1.3% from 1985.

On another consumer electronic front, researchers reported that shipments of compact disc players were "not up to industry expectations."

"Despite a dramatic drop in the retail price from $1,000 to about $200 in the last two years, sluggish sales, coupled with inventory buildups, led to a glut of CD players in late 1986," researchers said. Only one U.S. plant manufactures CD players, they reported.

Total domestic consumer electronic shipments are expected to decline 2.7% to $6.6 billion when final 1986 figures are analyzed. Imports will rise an estimated 2.1%.

Projections for the industry for 1987 are guarded. According to Commerce Department economists, a 1987 "slowdown" by the industry leaders (color TVs and VCRs) will result as prices "stabilize" and consumers cut back on spending for consumer electronics. Limited growth in other consumer electronic sectors can be expected by 1990.

"Domestic shipments of consumer electronic products are expected to decrease at a compound annual rate of 1.6% during the next five years," they predicted.

NHMA
THE GREATEST HOUSEWA
FREE
SHUTTLE BUS
SERVICE
SENSA
NEW P
SURP
SOL
Y
WA
APRIL
YOUR ONLY CHANCE IN 1987 TO SEE OVER
HOUSEWARE EXHIBITORS FROM AROUND THE
It's the biggest! It's the best! It's the NHMA International Housewares Exposition, the grandaddy of them all! And our 86th edition boasts the most additions ever, so staying all four fun-filled days is a Must!
Brand new acts! A show-stopping procession features a mammoth display, spangled with new products and studded with surprises. Innovations get big ovations here!
Parade at our party! It's a cocktail party to beat the band. This circus-theme
celebration is our most gargantuan, most lavish to date. So, come in and around!
Wild minks! At the party, the fur will flying! We'll be having a drawing for t count 'em—two luxurious mink coats So, think mink!

Major Home Appliance Factory Shipments
(In Millions of Units)

	December 1986		4th Quarter 1986		Year 1986	
	Shipments	% Change	Shipments	% Change	Shipments	% Change
All Major Appliances	3.6	+20.9%	11.3	+11.3%	45.1	+ 7.8%
Cooking Appliances	1.5	+31.1	4.4	+12.3	15.6	+12.7
Electric Ranges	0.3	+10.9	0.9	+ 5.9	3.3	+ 5.6
Microwave Ovens	1.2	+36.4	3.6	+13.6	12.4	+14.3
Home Laundry	0.8	+19.8	2.7	+11.0	10.0	+ 8.9
Auto. Washers	0.5	+24.6	1.5	+13.0	5.8	+ 9.2
Dryers	0.4	+13.9	1.2	+ 8.6	4.2	+ 8.5
Kitchen Clean Up	0.7	+13.2	2.2	+10.1	8.4	+ 6.7
Disposers	0.3	+11.3	1.0	+ 8.7	4.3	+ 4.0
Dishwashers	0.3	+14.9	1.0	+11.1	3.9	+ 9.6
Food Preservation	0.5	+ 7.3	1.7	+ 6.2	7.7	+ 5.7
Refrigerators	0.4	+ 9.2	1.5	+ 7.4	6.5	+ 7.1

Numbers may not add because of rounding. Source: Association of Home Appliance Manufacturers

Appliance Sales Reach 45.1 Million Unit High

CHICAGO — A record 45.1 million major appliances were shipped in 1986, beating the previous high set in 1985 by more than 3.2 million units, said the Association of Home Appliance Manufacturers (AHAM). It was the third consecutive record year for the industry, with shipments 7.8% greater than the previous year. Exceptionally strong shipments in the fourth quarter, up 11.3%, drove year-end figures to exceed the industry's own forecast made in August.

December and fourth quarter shipments also hit record highs, with 3.6 million units for the month and nearly 11.3 million units shipped during the quarter.

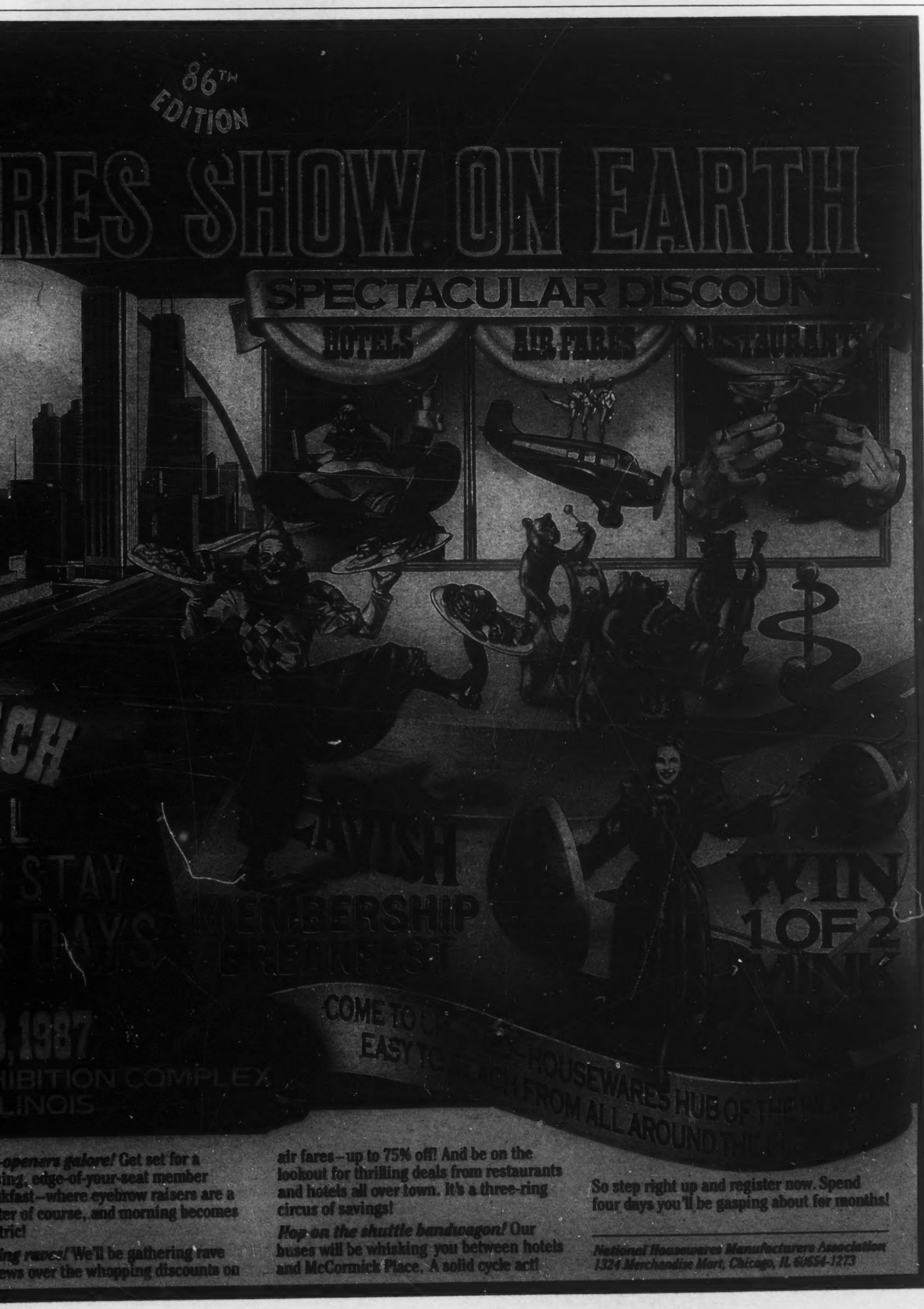
Four major appliances, microwave ovens, automatic washers, food disposers and dishwashers, set new annual shipment records last year.

The 12.4 million microwave ovens accounted for more than 25% of all appliance shipments last year. Shipments increased by 14.3% over 1985's total.

Automatic washers exceeded the year-earlier record by 9.2% with 5.8 million units.

Food disposers also shattered the previous year's record total with 4.2 million units shipped.

The 3.9 million dishwashers shipped in 1986 broke a 13-year-old record set in 1973.


86TH EDITION
RES SHOW ON EARTH
SPECTACULAR DISCOU
HOTELS
AIR FARES
RESTAURANTS
STAY
MEMBERSHIP
BREAKFAST
WIN
1 OF 2
COME TO
EASY TO
HOUSEWARES HUB OF THE
FROM ALL AROUND THE
-openers galore! Get set for a
ing, edge-of-your-seat member
kfast—where eyebrow raisers are a
ter of course, and morning becomes
tric!
ing raves! We'll be gathering rave
ews over the whopping discounts on
air fares—up to 75% off! And be on the
lookout for thrilling deals from restaurants
and hotels all over town. It's a three-ring
circus of savings!
Hop on the shuttle bandwagon! Our
buses will be whisking you between hotels
and McCormick Place. A solid cycle act!
So step right up and register now. Spend
four days you'll be gasping about for months!
National Housewares Manufacturers Association
1324 Merchandise Mart, Chicago, IL 60654-1273

Price Cuts Spur Videotape Sales

(Continued from page 43)

mainly been lower prices.

"We don't buy current movies sold to rentals at $90 to $100," Rutkowski said. "We only sell a combination of new and old titles for under $30." "We would like gross margins of 28% to 30% with prerecorded videotape," said Rutkowski. "It is a volatile type of business, though, with titles frequently changing, prices falling dramatically, and increasing competition. But I feel prices will settle and become much like a record or book department."

The bulk of sales for K mart are in the popular movies from major studios, accounting for 45% of the business. With the frontline movies and exercise tapes which retail for over $18.95, the chain can make as much as a 50% increase in dollar sales this year, Rutkowski said. Children's titles are presently a growth area for K mart, generating 20% of sales. Exercise tapes generate about 4% of sales while music, how-to and miscellaneous each account for about 2% of sales.

"The how-to category is small now but it will develop later," Rutkowski said.

Heck's, after gaining $1.2 million in sales in 1986 in prerecorded videotape, is expanding its display from 4 ft. to 12 ft. this year. "The time is right for the sell-through market with retail under $30 for most videotapes," said Howard Holshouser, electronics buyer for the Nitro, W. Va.-based chain. Some 40% to 50% of Heck's sales come from vintage video, the classic movies that sell for $7.99. Heck's is also planning to test videotape rentals in its stores this year.

Gold Circle is also expanding its department to 12 running feet of all categories, ranging in price from $29 to $4.99. Rocky Hill, Conn.-based Ames has also expanded its prerecorded video department with a 4 ft.-freestanding rack in all stores. It makes most sales with children's titles and old movies.